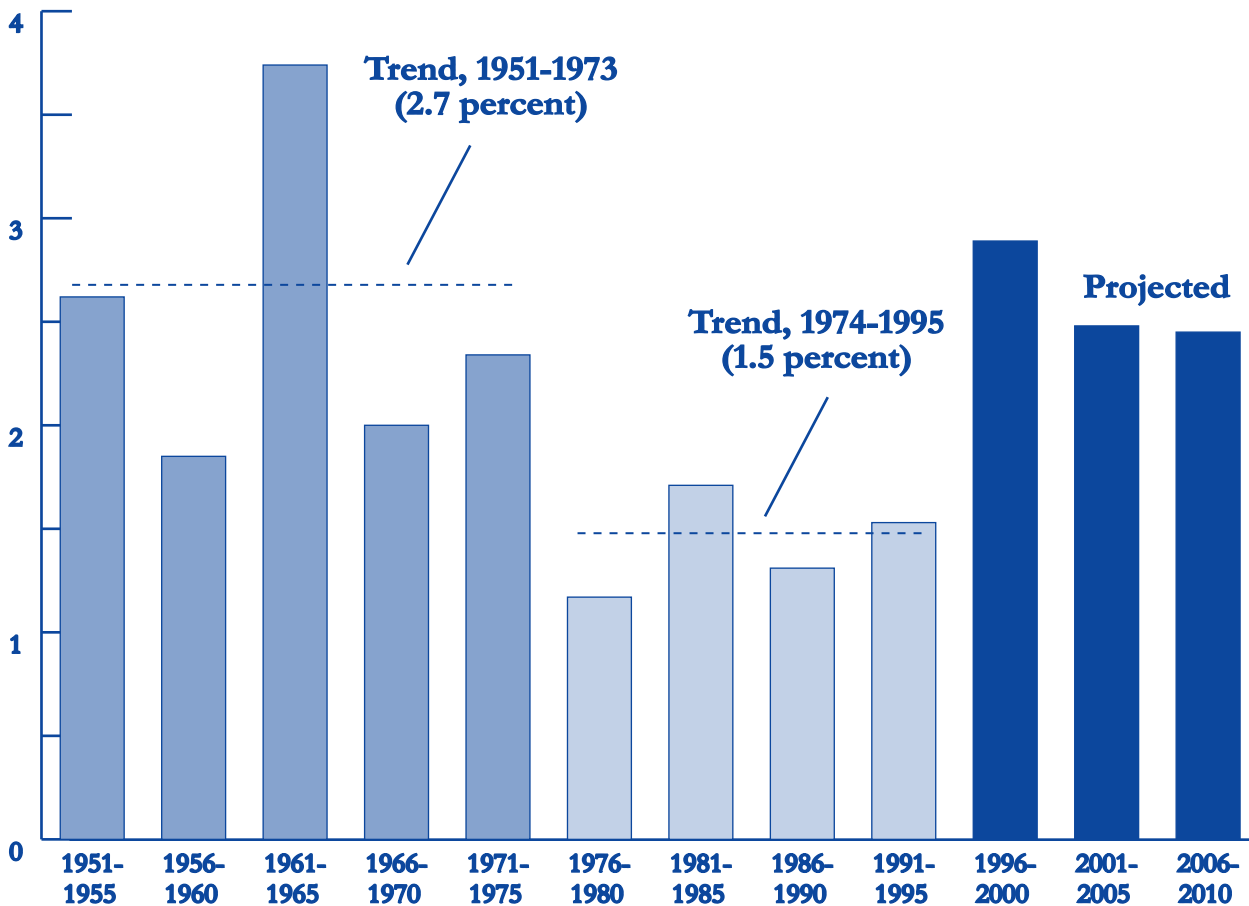


The Budget and Economic Outlook: Fiscal Years 2002-2011

Labor Productivity in the Nonfarm Business Sector (Average Annual Percentage Growth)



**THE BUDGET AND ECONOMIC OUTLOOK:
FISCAL YEARS 2002-2011**

The Congress of the United States
Congressional Budget Office

NOTES

Numbers in the text and tables may not add up to totals because of rounding.

Unless otherwise indicated, all years referred to in Chapter 2 are calendar years, and all years in other chapters and appendixes are fiscal years.

Some of the figures in Chapter 2 indicate periods of recession by using shaded vertical bars. The bars extend from the peak to the trough of the recession.

Data for real gross domestic product are based on chained 1996 dollars.

The cover of this report illustrates one of the most remarkable changes in the U.S. economy in the past five years: the unexpected increase in the growth of the economy's ability to produce goods and services. That acceleration in the growth rate of labor productivity plays a major role in CBO's projections for the economy and the federal budget over the next decade.

Preface

This volume is one of a series of reports on the state of the economy and the budget that the Congressional Budget Office (CBO) issues each year. It satisfies the requirement of section 202(e) of the Congressional Budget Act of 1974 for CBO to submit periodic reports to the Committees on the Budget with respect to fiscal policy and to provide five-year baseline projections of the federal budget. In accordance with CBO's mandate to provide objective and impartial analysis, the report contains no recommendations.

The economic outlook presented in Chapter 2 was prepared by the Macroeconomic Analysis Division under the direction of Robert Dennis. Ufuk Demiroglu, Kim J. Kowalewski, and John F. Peterson wrote the chapter and Appendix E. John F. Peterson, Robert Arnold, and Eric Warasta carried out the economic forecast and projections. Douglas Hamilton, Juann Hung, Mark Lasky, Angelo Mascaro, Preston Miller, Shinichi Nishiyama, Benjamin Page, Frank Russek, Matthew Salomon, Robert Shackleton, John Sturrock, and Christopher Williams contributed to the analysis. John McMurray and Eric Warasta provided research assistance.

The baseline spending projections were prepared by the staff of the Budget Analysis Division under the supervision of Robert Sunshine, Peter Fontaine, Janet Airis, Thomas Bradley, Kim Cawley, Paul Cullinan, and Jeffrey Holland. The revenue estimates were prepared by the staff of the Tax Analysis Division under the supervision of Thomas Woodward, Mark Booth, and David Weiner. The budget outlook described in Chapter 1 was written by Sandy Davis and Laurie Pounder. Mark Booth and Thomas Woodward wrote Chapter 3, and Barry Blom and Felix LoStraco wrote Chapter 4, with assistance from Kathleen Gramp, Jeanne De Sa, and Eric Rollins. Robert Dennis wrote Chapter 5 with assistance from many people in the Budget, Tax, and Macroeconomic Analysis Divisions. Frank Russek, Matthew Salomon, and John McMurray carried out the computations for Figure 5-1, and Mark Lasky prepared the recession scenario. Felix LoStracco wrote Appendix A; Takako Tsuji wrote Appendixes B, C, and F; and Barry Blom wrote Appendix D. Jennifer Smith coordinated the revision of the glossary. Jeffrey Holland wrote the summary of the report.

CBO's Panel of Economic Advisers commented on an early version of the economic forecast underlying this report. Members of the panel are Alan J. Auerbach, Michael Boskin, Barry P. Bosworth, John Cogan, Robert Dederick, William C. Dudley, Martin Feldstein, Robert J. Gordon, David Hale, Robert E. Hall, N. Gregory Mankiw, Allan Meltzer, William Niskanen, William D. Nordhaus, June E. O'Neill, Rudolph Penner, James Poterba, Robert Reischauer, Alice Rivlin, Joel Slemrod, John Taylor, and Martin B. Zimmerman. Although those outside advisers provided considerable assistance, they are not responsible for the contents of this report.

John Skeen, Leah Mazade, Christian Spoor, and Christine Bogusz edited the volume. Marion Curry, Linda Lewis Harris, Dorothy Kornegay, and Simone Thomas assisted in the preparation of the report. Kathryn Quattrone prepared the volume for final publication, and Annette Kalicki prepared the electronic versions for CBO's Web site. Barry Anderson designed the cover.

Dan L. Crippen
Director

January 2001

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